

Agency 235

Department of Labor and Industries**Recommendation Summary**

Dollars in Thousands

	Annual FTEs	General Fund State	Other Funds	Total Funds
2003-05 Expenditure Authority	2,607.6	12,146	465,355	477,501
Total Maintenance Level	2,615.9	14,273	467,850	482,123
Difference	8.3	2,127	2,495	4,622
Percent Change from Current Biennium	0.3%	17.5%	0.5%	1.0%
Performance Changes				
Washington Federation of State Employees Cost of Living Adjustment/Salary Survey		294	14,585	14,879
Coalition Cost of Living Adjustment/Salary Survey		603	2,466	3,069
Super Coalition Health Benefits		211	6,906	7,117
Classification Revisions			30	30
Performance Pay		5	268	273
Nonrepresented Employees Cost of Living Adjustment		20	1,076	1,096
Nonrepresented Employees Health Benefit Change		4	250	254
Pension Method Change		(204)	(6,592)	(6,796)
Nonrepresented Salary Survey Implementation			8	8
General Inflation		(31)	(1,301)	(1,332)
Accurate Prevailing Wage Rates #	4.0		830	830
Online Reporting and Customer Access (ORCA)	18.5		12,954	12,954
Self Insurance Electronic Reporting #	2.0		1,399	1,399
Critical Safety and Health Data	1.0		1,727	1,727
Protect Workers from Chemical Hazards				
Minor Work Permit Compliance #	2.0		472	472
COHE: Center of Occupational Health and Education			441	441
Medical Provider Fraud and Abuse	4.5		2,531	2,531
Employer Fraud Targeting Technology	2.0		3,602	3,602
Fraud Detection and Targeted Action	11.0		2,797	2,797
Public Safety and Education Account Elimination		24,312	(24,312)	
Subtotal	45.0	25,214	20,137	45,351
Total Proposed Budget	2,660.9	39,487	487,987	527,474
Difference	53.3	27,341	22,632	49,973
Percent Change from Current Biennium	2.0%	225.1%	4.9%	10.5%
Total Proposed Budget by Activity				
Administration	246.8	1,086	58,043	59,129
Apprenticeship	14.8		3,918	3,918
Contractor Registration	41.3	6,071	1,191	7,262
Crime Victims' Compensation	45.2	23,192	10,000	33,192
Electrical	192.0		30,294	30,294
Elevator Inspection	29.5	4,308	328	4,636
Employment Standards/Prevailing Wage	45.9		8,158	8,158
Factory-Assembled Structures	20.2	3,066		3,066

HUMAN SERVICES - OTHER

	Annual FTEs	General Fund State	Other Funds	Total Funds
Field Office Customer Support	136.6		25,720	25,720
Health Care Analysis	109.1		18,951	18,951
Fraud Prevention and Compliance	210.7	2	28,812	28,814
Plumbers Certification	9.7		1,477	1,477
Premium Assessment	136.1		17,884	17,884
Pressure Vessel	19.0		2,919	2,919
Self Insurance	83.1		11,755	11,755
SHARP	23.0		5,237	5,237
WISHA Administration and Policy	127.2		31,124	31,124
WISHA Consultation and Compliance	234.6		32,565	32,565
Worker Compensation Benefit, Policy, and Operations	936.4		172,444	172,444
Compensation Cost Adjustment		1,762	27,167	28,929
Total Proposed Budget	2,660.9	39,487	487,987	527,474

PERFORMANCE LEVEL CHANGE DESCRIPTIONS

Accurate Prevailing Wage Rates

Four FTE staff are added to ensure that prevailing wages are being paid on public works projects. These staff will provide outreach to contractors regarding prevailing wage obligations, conduct 72 investigations per year, complete wage surveys for all trades every three years, and publish ten new scopes of work each year. Accurate prevailing wage estimates ensure that public entities pay a fair price for construction projects by aligning wage costs with local economic conditions.

Currently, fees paid by contractors are deposited into the Public Works Administration Account. Subsequently, 30 percent of these fees are transferred to the General Fund-State. Proposed legislation would eliminate the 30 percent transfer to the General Fund. The additional revenue will be sufficient to fund the additional staff. (Public Works Administration Account)

Online Reporting and Customer Access (ORCA)

Efforts will continue to improve customer access and provide faster, more cost-effective ways of doing business with the Department of Labor and Industries (L&I). L&I is moving away from paper-based systems that no longer meet customer demands for information. The agency will provide document imaging to workers' compensation programs and expand the variety and number of customers who can view document images. It also will increase online services and information for customers, at the same time improving internal processes and reducing cycle time.

A 2004 feasibility study supported a phased, four-year implementation of this project. To complete the last two years of ORCA, additional funding is needed in the 2005-07 Biennium to purchase imaging hardware and software, contract programming, special workflow analysis software, and project staff to develop and implement the new system. (Accident Account-State, Medical Aid Account-State)

Self Insurance Electronic Reporting

The Department of Labor and Industries and the Washington Self-Insurers Association will develop a computer system to collect data from self-insured employers and create performance reports based on that data. These reports will allow L&I and self-insured employers to evaluate self-insurers' performance and the nature and extent of L&I's regulatory efforts. Data also will be used by L&I to enhance efforts toward the appropriate delivery of benefits to injured workers. Funds will be used for computer hardware and software, contracts for system design and programming, a technical project manager, and a client manager who will work with self-insured employers to ensure the system meets business requirements.

L&I will be reimbursed by self-insured employers for this project. Legislation will be proposed to make electronic data submission mandatory for all self-insurers, so that the data collected will accurately reflect the performance of the entire self-insured employer community. This project implements a feasibility study approved by the 2004 Legislature. (Accident Fund-State, Medical Aid Account-State)

Critical Safety and Health Data

L&I will complete revamping the agency's workplace safety data system (known as WIN.) This system consolidates several computer systems, increases data availability, and provides additional protection from system failure. These information technology (IT) system improvements will result in increased productivity of safety inspectors and Washington Industrial Safety and Health Act (WISHA) consultants, provide better targeting of workplaces where workers are at greatest risk, supply more employer history for making informed decisions on such things as appeals, and reduce ongoing system maintenance costs. (Accident Account-State, Medical Aid Account-State)

Protect Workers from Chemical Hazards

Current protections for workers from chemical hazards will be accomplished by shifting funding for six L&I staff from the Worker and Community Right-To-Know Account (RTK) to the Accident and Medical Aid accounts. At the current rate of usage, the RTK fund will run out of money within the first quarter of next biennium. The fees that support the account are at the statutory maximum. To maintain current service level, current appropriation level, and to ensure that WISHA activities and performances remain stable, funds normally appropriated from the RTK account will instead be appropriated from the Accident and Medical accounts for the 2005-07 Biennium and beyond. (Worker and Community Right-to-Know Account, Accident Account, Medical Aid Account)

Minor Work Permit Compliance #

L&I is mandated by law to issue permits and to ensure compliance of child labor laws which limit the number of hours worked and the operation of hazardous equipment by minors. Funding is provided for two industrial relations agents to allow the agency to take an active approach to ensure permit compliance for 150,000 minor workers at nearly 30,000 businesses statewide. With these additional resources, staff will follow up on 5,100 minor work permits per year that are not renewed annually and conduct 100 additional minor worker complaint investigations. Legislation will be proposed that requires employers of minor workers to pay an annual permit fee that will generate the revenue needed to support these activities. (Accident Account-State, Medical Aid Account-State)

COHE: Center of Occupational Health and Education

Additional contract dollars will expand the services provided to injured workers through the Centers of Occupational Health and Education (COHEs) in Spokane and Renton. In addition, two new areas of the state will be given the opportunity to begin the formation of their own COHEs. One hundred additional doctors will be trained in current medical treatments for injured workers and how to advocate for the return-to-work options for 2,100 injured workers. Fifty additional partner employers and 10 additional unions also will benefit from training. Services will be expanded to 12 additional counties near Spokane. Thirty to sixty hours of specialized workshops will be provided to doctors and nurses. (Medical Aid Account-State)

Medical Provider Fraud and Abuse

Additional funding is provided to more effectively combat fraud and abuse among the medical providers serving injured workers by increasing the number of audits of medical bills and providing physician quality peer reviews. Five additional audit staff will be hired to do 50 additional audits of medical provider bills each year, prepare the peer reviews, and contract with outside firms to do peer review and medical provider bill audits. Increased medical bill auditing will recover \$1.1 million plus interest each year for the Medical Aid Account. Four additional physician peer reviews performed each year will lower L&I medical bill payments and allow the agency to identify and take corrective action against poor quality doctors. (Medical Aid Account-State)

Employer Fraud Targeting Technology

To more effectively detect and combat employer abuse of the industrial insurance system, L&I will develop an employer data warehouse and streamline the current field audit enhancement (FAE) system to better support audit processes. Additionally, the department will conduct analysis and design for the next generation of FAE enhancements and the development of a referral tracking system. Two additional staff are added, one temporary and one ongoing. (Accident Account-State, Medical Aid Account-State)

HUMAN SERVICES - OTHER

Fraud Detection and Targeted Action

Six staff are added to address employer fraud and abuse occurring in the construction industry and the electrical trades. These staff will expand current activities that have been successful in finding employers operating underground and ensuring the recovery of premiums owed. Five staff are also added to address worker fraud and abuse. These FTE staff will expand L&I's capacity to investigate and take appropriate action on significantly more cases. The increased staff are expected to collect \$1,630,000 each year in revenue and \$83,000 in cost avoidance. (Electrical License Account-State, Accident Account-State, Medical Aid Account-State)

Public Safety and Education Account Elimination

Concurrent with executive request legislation eliminating revenues to the Public Safety and Education Account (PSEA – Fund 02V), expenditures from the PSEA are transferred to the General Fund. All revenue sources previously deposited to the PSEA shall be deposited to the General Fund. (General Fund-State, Public Safety and Education Account-State)

ACTIVITY DESCRIPTIONS

Administration

The Administration activity provides support services to all divisions of the Department of Labor and Industries (L&I). The program provides personnel and other human resources services, facilities management, budget and financial management, direction of agency field offices, and overall agency direction. The program also provides information to large segments of the general public, including individual employers, employer groups, labor organizations, concerned citizens, the Governor and other state agencies, the Legislature, and other states or political subdivisions. The Information Services component provides coordinated agency-wide computing resources supporting external customer access to services, internal business applications and data management, information technology policy and planning, local network operations, and electronic data security.

Apprenticeship

Apprenticeship is a proven workforce training model that prepares a qualified workforce for employers in key occupations in our state. Combining on-the-job training with classroom education, apprenticeship helps employers address current or projected labor shortages and skills gaps in various industries such as the construction trades, health care, and childcare. The Apprenticeship program serves as the administrative arm of the Washington State Apprenticeship and Training Council. L&I staff are responsible for coordinating the development of apprenticeship programs, finding opportunities for expansion, and gaining compliance among apprenticeship programs across the state. Apprenticeship has become a proven alternative for individuals and employers as this training model continues to demonstrate the highest outcomes (when compared to other training programs such as private or technical schools or vocational training) in regards to average salary, employer satisfaction, and connecting the learned skills most directly to the occupation.

Contractor Registration

The Contractor Registration program works to protect homeowners (as well as companies supplying labor, materials, or equipment) from unreliable, fraudulent, financially irresponsible, or incompetent construction contractors. The registration of contractors provides consumer protection because it requires contractors to maintain a minimum level of bonding and insurance coverage. L&I construction compliance inspectors verify and promote registration by making random site visits and responding to complaints from homeowners, material suppliers, and other contractors. Promoting compliance also protects contractors from those who attempt to gain a competitive advantage through noncompliance. This fee-for-service program is self-supporting.

Crime Victims' Compensation

The Crime Victims Compensation program helps eligible victims and their families recover from the emotional, physical, and financial hardship which crime imposes on them. The program provides financial assistance as a payer of last resort to victims in cases where bodily injury, mental trauma, or death results from criminal acts. The program reimburses medical facilities for emergency sexual assault exams that provide both emergency trauma services to victims and maintains evidence for potential prosecution of sexual assault perpetrators.

Electrical

The Electrical program works to protect the people of the state from the inherent dangers associated with electrical work. It provides a baseline of public safety in electrical installations by inspecting electrical wiring and installations in industrial, commercial, institutional (schools), and residential construction. The program sets standards for the competency of individuals performing electrical work by establishing qualifications, administering a variety of examinations, and issuing electrical certificates and licenses. In addition, the program examines and accredits electrical product-testing laboratories and monitors the amusement ride industry for structural and mechanical safety. This fee-for-service program has a dedicated account that is self-supporting.

Elevator Inspection

The Elevator program works to protect the people of the state from the inherent dangers and hazards associated with elevators and other types of conveyances such as escalators and material lifts. In order to minimize potential impacts to life or health, and to avoid the economic loss caused by unsafe conditions in elevators and conveyances, the program inspects all new and altered non-residential elevators and conveyances, and provides annual safety inspections on existing elevators and conveyances, including grain elevators. To further promote safety, the program issues licenses to elevator contractors and mechanics. This fee-for-service program is self-supporting.

Employment Standards/Prevailing Wage

The state of Washington has a long tradition of protecting its workers, passing its first minimum wage laws in 1913. The Employment Standards program continues the tradition by promoting and enforcing fair labor practices and taking actions for employees who are not paid an appropriate and fair wage for the hours worked. Employers in the state must abide by rules and regulations concerning wage payments, working conditions, family care, and farm labor contractors. By providing statutory guidance in regards to our state's labor laws, L&I helps to keep many issues from reaching a costly litigious stage. The program's industrial relations agents act as the primary points of contact for workers who have not been fairly compensated for work performed. The program emphasizes and targets its compliance services towards vulnerable, low-wage workers. In addition, the program's goal is that minors in the workplace are safe and not performing specific prohibited duties. It accomplishes this by inspections, education, and issuance of minor work permits to employers of minors in well-defined limited circumstances. The Prevailing Wage program establishes prevailing wages and uses outreach and enforcement to promote these wages being paid on public works projects.

Factory-Assembled Structures

The Factory-Assembled Structures (FAS) program sets standards and conducts inspections aimed at promoting the safety of those who live, study, work in, and use factory-assembled structures. Structures include mobile/manufactured homes, modular school and construction trailers, mobile medical units, recreational vehicles, and vendor trailer units. The program is the primary statewide building inspector for all factory-assembled structures that are sited in Washington. Its primary duty is to determine if structures are in compliance with state and federal building codes. These codes provide consistent and efficient fire/life safety standards and inspections across all local jurisdictions.

Field Office Customer Support

The Field Office Customer Support staff are the face of L&I in 22 local offices across the state, providing service to more than 700,000 people annually, in person and on the phone. More than 25 percent of those contacts are related to workers' compensation claims. The staff is knowledgeable and responds to inquiries about all L&I programs and services, including workers' compensation claims administration and claims for unpaid wages. Field Office Customer Support staff often are the first point of contact for employers, workers, and the general public who interact with the agency. Every day they contact injured workers and employers regarding return-to-work, register contractors, issue electrical licenses, sell electrical and factory-assembled structure permits, process prevailing wage intents and affidavits, process business license applications, and collect industrial insurance premium payments. Field Office Customer Support staff process more than \$65 million annually, 70 percent of which are workers' compensation premium payments.

Health Care Analysis

The Health Care Analysis program performs four main functions. It works to control the rate of growth in medical benefit costs for workers' compensation claims; improves the quality of health care in order to improve return-to-work outcomes for injured workers; pays health care provider medical bills to ensure injured worker access to health services; and detects and controls provider fraud and abuse.

HUMAN SERVICES - OTHER

Health Services Analysis helps minimize medical cost increases for worker compensation claims by implementing and continually updating provider fee schedules, hospital payment methods, and pharmacy payments. These fee schedules provide fair compensation for claims costs, but do not allow individual providers to charge higher fees. Payment methods are coordinated and aligned with other major state health care purchasers in order to increase consistency and maximize the state's purchasing power.

Fraud Prevention and Compliance

The Fraud Prevention and Compliance program serves as a key line of defense for the economic integrity of the industrial insurance state fund. The major functions of fraud prevention and compliance include audits of employer reporting, audits of provider billing at the fraud level, investigations of worker claims, and collection of funds owed to the agency as a result of delinquent premiums, audits, overpayments to claimants, and fraud. The goal of fraud prevention and compliance is to ensure that workers and providers receive only those benefits and funds that are properly due, while verifying that employers pay the proper premiums on a timely basis. Other activities include the investigation of cases involving potential discrimination against workers who exercise their right to file industrial insurance claims and an administrative function that allows reconsideration of assessments and class determination for employers.

Plumbers Certification

The Plumber Certification program protects the people of the state from damage to life or health, or from economic loss caused by unsafe and unsanitary plumbing conditions in residential and commercial structures. The program is responsible for setting the standardized experience and educational levels of plumbers, administering testing, and issuing certificates to plumbers. The program audits and reviews trainee hours, processes new certifications, and renews ongoing certifications. Inspectors also visit job sites to ensure compliance and respond to consumer complaints. This fee-for-service program has a dedicated account that is self-supporting.

Premium Assessment

Washington is an exclusive state fund workers' compensation state where employers must purchase workers' compensation insurance from L&I. The only exceptions are some federal facilities and self-insured firms. L&I acts as a Workers' Compensation Rating Bureau and a large insurance company. L&I provides coverage for approximately 1.8 million workers annually. Actuaries recommend and calculate the classification rates used to assess employer premiums, and design and maintain the experience rating and retrospective premium rating systems used to calculate the assessed premiums and refunds. Retrospective rating offers optional rating plans to qualified state fund-insured employers and employer groups, providing economic incentives to reduce their workers' compensation insurance costs through effective accident prevention and claims management practices. The program assesses insurance premiums and delivers optimum customer service through key account managers to approximately 100,000 employers who pay into the workers' compensation system.

Pressure Vessel

The Boiler/Pressure Vessel program works to protect the public from the inherent dangers associated with boiler/pressure vessel explosions. The program oversees the safety inspection of more than 100,000 boilers and pressure vessels in the state, including locations of public assembly such as schools, stadiums, hospitals, grocery stores, and gas stations. The program directly inspects uninsured and high-risk boiler/pressure vessels, and oversees and monitors insurance company inspectors who perform the remaining inspections. Inspections focus on the most critical safety aspects of these vessels such as relief valves and structural integrity. To further enhance public safety, a formalized permitting process has been implemented that keeps the department informed of new installations, and the program emphasizes the discovery and identification of unregistered vessels. This fee-for-service program has a dedicated account that is self-supporting.

Self Insurance

In 1971, the Legislature created the self-insurance option for the provision of workers' compensation benefits to injured workers. The legislation allowed employers with the financial resources to assume responsibility for their own claims administration. The legislation became effective January 1, 1972. Today 382 employers and 800,000 workers are covered by self-insurance. Their employees represent approximately one-third of Washington's workforce. The workers of self-insured employers are entitled to the same rights and benefits as those workers insured by the state fund managed by the Department of Labor and Industries. The Self Insurance Section adjudicates workers appeals so that workers of self-insured employers receive the workers' compensation benefits to which they are entitled.

Self-insured employers pay quarterly assessments to the department for the services that employers and workers receive. In addition, there are assessments made to fund the second injury fund, supplemental pension fund, asbestos fund, and insolvency trust. Assessments are based upon the claim expenditures of the individual self-insured employer and the hours worked by its employees. The department collects approximately \$122 million annually in assessments from self-insurers.

SHARP

The Safety and Health Assessment and Research for Prevention (SHARP) program is dedicated to promoting healthy work environments and preventing workplace injuries and illnesses. Since 1990, SHARP has advanced workplace health and safety by conducting numerous research, monitoring, and demonstration projects. SHARP addresses complex occupational health and safety concerns by initiating in-house research projects and by responding to requests from employers, workers, business associations, industry groups, labor, health care professionals, and Labor and Industries staff. SHARP works with the Washington Industrial Safety and Health Act (WISHA) Advisory Committee and the National Occupational Research Agenda (NORA) to develop occupational health research priorities. SHARP is unique in the ability to work with business and labor to address emerging health and safety concerns in Washington State workplaces. SHARP is the primary research program in Washington that receives federal funding to track occupational illnesses and injuries.

WISHA Administration and Policy

Washington State's Constitution requires the adoption and enforcement of laws to protect employees from workplace hazards. Employers have a legal obligation to ensure safe workplaces. The WISHA program (Washington Industrial Safety and Health Act) employs the dual approach of prevention and protection to assist employers in meeting their legal obligation to keep Washington's 2.7 million workers safe while on the job. WISHA provides comprehensive services to ensure the reduction of preventable workplace injuries, illnesses, and fatalities through enforcement inspections, onsite consultation services, training opportunities, and educational resources. These services directly result in improving the safety and health of Washington's citizens, and improving the quality and productivity of the workforce. Other administrative responsibilities include significant interaction with the Governor's Office, the Legislature, and numerous businesses and labor stakeholders. The division also chairs the statutorily-required WISHA Advisory Committee and manages litigation, legislative, and federal grant and budget activities. Studies conducted over the past three years show a significant reduction in compensable workers' compensation claims in workplaces that WISHA has inspected.

WISHA Consultation and Compliance

WISHA inspectors in L&I's 22 service locations investigate hazardous workplaces, fatalities, serious accidents, and employee safety complaints. Safety laws are enforced and penalties assessed as needed. WISHA investigators ensure the right of workers to report workplace safety concerns without fear of retaliation. WISHA consultants advise employers on safety and health issues, and help them identify and correct hazards. Consultants train employers and workers to become self-sufficient in keeping their workplaces free of hazards. Both consultants and inspectors ensure that employers correct serious hazards.

Worker Compensation Benefit, Policy, and Operations

L&I provides over \$1.5 billion in insurance benefits for about 144,000 new workers' compensation claims each year. L&I is charged with the responsibility of providing sure and certain relief to eligible workers who are injured or become ill as a result of a workplace injury or exposure. Benefits are provided when a worker is injured or develops a work-related illness while working in employment covered under the Industrial Insurance Act. Benefits include wage replacement during the period the worker is unable to work, payment for medical services related to their work-related injury or illness, return-to-work or vocational assistance to workers who cannot perform the job at the time of injury, monetary payment for physical or mental impairment resulting from injury or illness, or lifetime pension benefits for workers or their family members if a worker is permanently disabled or fatally injured while working. The adjudication of state fund pensions and the administration of both state fund and self-insured pension payments are provided by the Policy and Quality Coordination program. This program also is responsible for the appropriate adjustment to workers' compensation payments for recipients who are entitled to Social Security disability or retirement benefits.

Compensation Cost Adjustment

This item reflects proposed compensation and benefit cost adjustments that were not allocated to individual agency activities. The agency will assign these costs to the proper activities after the budget is enacted.